

**U.S. House of Representatives
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515**

February 10, 2005

**LETTER TO ALL 50 STATE AND THE DISTRICT OF COLUMBIA MEDICAID
CENTERS REQUESTING INFORMATION REGARDING AVERAGE
WHOLESALE PRICE, REIMBURSEMENT, AND OTHER OPERATIONAL
PROCEDURES.**

Dear _____:

On December 7, 2004, the Subcommittee on Oversight & Investigations, held a hearing entitled "Medicaid Drug Reimbursement: Why the Government Pays Too Much." This hearing exposed a variety of problems with the current Medicaid reimbursement system, including the use of average wholesale price (AWP) as a reimbursement standard.

Another issue that was examined during the hearing was what steps various States are taking to control rising Medicaid drug expenditures. One of the witnesses was George Reeb, the Department of Health and Human Services' Assistant Inspector General for the Centers for Medicare & Medicaid Audits. In his testimony, Mr. Reeb highlighted the disparity in Medicaid prescription drug reimbursements among the States, citing a September 2004 report by the Department of Health and Human Services' Office of Inspector General (OIG) entitled, "Variation in State Medicaid Drug Prices." The OIG found that the Medicaid Program could have saved more than \$86 million in Fiscal Year (FY) 2001 if all States had reimbursed at the same rate as the lowest-paying State for the 28 drugs analyzed.

As a follow-up to this investigation, I request, pursuant to Rules X and XI of the U.S. House of Representatives, that the [STATE] Medicaid Program provide the following information on or before February 25, 2005:

1. What is [STATE]'s estimated acquisition cost (EAC) formula (i.e., AWP - X%, WAC + X%, etc.) for Medicaid prescription drug reimbursement, and how is this formula determined? If the formula differs by drug category, please so note.

2. What is [STATE]'s dispensing fee per prescription, and how is that dispensing fee determined or calculated? If the dispensing fee differs by drug category, please so note.
3. How often is [STATE]'s EAC formula and/or dispensing fee reviewed or updated? When was each last updated?
4. Please describe all efforts adopted by [STATE] to reduce Medicaid prescription drug costs, including, but not limited to, Maximum Allowable Cost (MAC) lists, Preferred Drug lists, supplemental rebates, and mandatory generic substitution. If [STATE] has sought to implement any such measures but has been unable to do so, please explain why.
5. Has [STATE] performed any surveys, audits, or reviews to determine actual pharmacy acquisition cost during the past ten years? If so, please describe in detail the timing, methodology, and results. Please also provide copies of any such surveys, audits, or reviews.
6. What steps, if any, is [STATE] taking to verify and/or validate the accuracy of National Drug Code (NDC) and pharmacy claims data information submitted by pharmacies, which is used to calculate rebates?
7. Please provide the following information for the drugs listed below for each of FY 2002 (October 1, 2001 to September 30, 2002) and FY 2003 (October 1, 2002 to September 30, 2003):

A	B	C	D	E	F	G
Drug/ NDC (include all package sizes)	Total Units	Total Ingredient Reimbursement Amount (excluding dispensing fees and any/all rebates and supplemental rebates)	Average Per Unit Ingredient Reimbursement Amount (excluding dispensing fees and any/all rebates and supplemental rebates)	Total Dispensing Fees	Total Federal Rebates	Total Supplemental Rebates
OMEPRazole 20MG Capsule (62175 – 118)						
CLOZAPINE 100MG Tablet (0172 – 4360)						
MEGESTROL Acet. 40MG/ML Susp. (49884 – 907)						
FLUOXETINE						

40MG Capsule (49884 – 743)						
DILANTIN 100MG Capsule (0071 – 0362)						
NIFEDIPINE 90MG Tablet (0378 – 3495)						
ALBUTEROL .83MG/ML Solution (49502 – 697)						
IPRATROPIUM BROMIDE 0.02% Solution (49502 – 685)						
RANITIDINE 150MG Capsule (0781 – 2855)						
BUSPIRONE 15MG Tablet (0378 – 1165)						
PREVACID 30MG Capsule (0300 – 3046)						
ZYPREXA 10MG Tablet (0002 – 4117)						
CELEBREX 200MG Capsule (0025 – 1525)						
PLAVIX 75MG Tablet (63653 – 1171)						
SEROQUEL 200MG Tablet (0310 – 0272)						
LIPITOR 10MG Tablet (0071 – 0155)						
DEPAKOTE 500MG Tablet (0074 – 6215)						
RISPERDAL 2MG Tablet (50458 – 320)						

ZOLOFT 100MG Tablet (0049 – 4910)						
VIOXX 25MG Tablet (00006 – 0110)						

If you have any questions, please contact Andrew L. Snowden or Brad Conway, Oversight & Investigations Counsel, at (202) 226-2424.

Sincerely,

Joe Barton
Chairman

Ed Whitfield
Chairman
Subcommittee on Oversight
and Investigations

cc: The Honorable John D. Dingell, Ranking Member
The Honorable Bart Stupak, Ranking Member
Subcommittee on Oversight and Investigations